

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-01 OMB-01 CEA-01 PA-01 PRS-01

USIA-06 CIAE-00 INR-07 NSAE-00 COME-00 /064 W

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R 140658Z FEB 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 620

INFO USDA/FAS WASHDC 27

C O N F I D E N T I A L MANILA 2004

TOFAS FOR STARKEY/SUGAR & TROPICAL PRODS/FCA

E.O. 11652: GDS

TAGS: EPAP, ETRD, RP

SUBJECT: PRESIDENT MARCOS' ADDRESS TO SUGAR CONVENTION

REF: MANILA 1829

1. PRESIDENTIAL EMPHASIS IN SPEECH TO 1975 SUGAR INDUSTRY
CONVENTION, DESCRIBED REFTEL, ON MARKETING AND ON SMUGGLING,
APPEARS TO PROVIDE REVEALING GLIMPSE AT PROBLEM PRESIDENT
MARCOS NOW GRAPPLING WITH.

2. THE PRESENT TWO-PRICE SYSTEM FOR SUGAR HAS RESULTED IN
APPARENT SHARP INCREASE IN SMUGGLING, ALTHOUGH THIS PROBLEM
IS NOT NEW TO THE PHILIPPINES, THE INCURMENT RECENTLY HAS
BEEN MUCH GREATER. WHILE THE LEVEL IS PROBABLY NOT OF SIGNI-
FICANT PROPORTIONS, FACT IT IS HAPPENING AND HAS INCREASED
IS PROBABLY VIEWED BOTH AS A SLAP IN THE FACE OF THE SYSTEM
AND AS A LOSS OF REVENUE TO THE GOVERNMENT.

3. PRESIDENT IN REFERRING TO SUPPOSEDLY LOST U.S. MARKET
WAS QUOTED AS SAYING THIS MARKET LOST BECAUSE U.S. HAS
APPARENTLY NO INTENTION OF REVIVING SUGAR ACT WHICH ALLOCATED
COUNTRY QUOTAS FOR SUGAR PRODUCERS. THUS, WITH NO GUARANTEED
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MARKET, EXCEPT FOR REPORTED 500,000 TONS SOLD FOR DELIVERY

TOH

ORLD FIRST HALF 1975, AND PROJECTION IN PEAK OF SEASONN
MARCOS APPARENTLY REALIZES THAT THE PHILIPPINE MAY BE FAL-
LING BEHIND THE POWER CURVE IN MAKING ARRANGEMENTS FOR ITS
SUGAR AT FAVORABLE PRICES. FOR THE 1974-75 CROP YEAR,
REMAINING AVAILABLE EXPORT SUPPLIES TOTAL ABOUT 1 MIL. SHORT
TONS. AWARE OF JAPANESE-AUSTRALIAN CONTRACT (5 YEARS,
600,000 TONS PER YEAR AT 24 CENTS) AND RECENT EC AGREEMENT
WITH CARIBBEAN SUPPLIERS, MARCOS APPARENTLY DISTURBED THAT
THE PHILIPPINES HAS NOT BEEN ABLE TO CONCLUDE LONG TERM
CONTRACT. HE APPEARS PARTICULARLY UPSET BY APPARENT LACK
OF INTEREST OF U.S. BUYER IN LONG TERM CONTRACTS. HIS
ANNOUNCEMENT IN WELL-PUBLICIZED FORUM THAT PHILIPPINES READY
TO SELL LARGE QUANTITIES OF SUGAR ON LONG-TERM CONTRACT AT
24 CENTS PER POUND WOULD SUGGEST THAT NEED BEING FELT TO
PUBLICIZE FILIPINO INTEREST IN SUCH ARRANGEMENTS IN ORDER
TO AVOID SEVERE LOSS OF POSITION IN RAPIDLY CHANGING MARKET
SITUATION.

4. IN SHORT, ALTHOUGH MARCOS DESCRIBED IN PRESS REPORTS
AS HIGHLY OPTIMISTIC ABOUT FUTURE OF INDUSTRY, UNDERLYING
HIS REMARKS APPEARS TO BE A CONSIDERABLE DEGREE OF ANXIETY
THAT COUNTRY MAY HAVE OVERPLAYED ITS HAND IN HOLDING SUGAR
OFF THE MARKET AND COULD END UP SIGNIFICANTLY WEAKENING
MARKET BY ITS OWN ACTIONS.

5. PART OF THE PHILIPPINE PROBLEM, AND A PERSISTENT SOURCE
OF CONFUSION TO MALACANANG, ARE RUMORS OUT OF THE U.S.
THAT A NEW SUGAR QUOTA BILL IS LIKELY IN THE OFFING. IF
SUCH IS THE CASE, AND WE HAVE SUBSTANTIAL FUTURE INTEREST
IN PHILIPPINE SUPPLY, IT WOULD BE VERY HELPFUL TO LET THE
FILIPINOS IN ON OUR PLANS -- IF NEED BE ON A TOP LEVEL AND
CONFIDENTIAL BASIS. IF THERE ARE NO ADMINISTRATION PLANS
TO PROMOTE SUCH A BILL, WE WOULD APPRECIATE AN APPRAISAL OF
THE CHANGES THE CONGRESS MAY PASS ON ITS OWN INITIATIVE,
SINCE TIT SEEMS FAIRLY WELL-KNOWN HERE THAT SEVERAL MEMBERS
OF CONGRESS ARE INCLINED TO FAVOR NEW LEGISLATION.

6. COMING BACK TO EARLIER POINTS WE HAVE MADE IN REFTTEL,
IN LIGHT OF THE FOREGOING WE ARE STILL FAR SHORT OF
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GIVING THE FILIPINOS ANY CLEAR INDICATION OF WHAT WE WANT.
POSSIBLY OUR TRADE MAY FEEL THAT CONTINUED UNCERTAINTY SERVES
OUR INTERESTS IN THIS MATTER, BUT WE FORCEFULLY DOUBT THAT
PROPOSITION HERE.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 14 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANILA02004
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750054-0865
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750242/aaaablq.tel
Line Count: 112
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: MANILA 1829
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUL 2003 by ShawDG>; APPROVED <23 JUL 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRESIDENT MARCOS' ADDRESS TO SUGAR CONVENTION
TAGS: ETRD, OCON, EPAP, RP, (MARCOS, FERDINAND)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006